

# CONSTRUCTION BONDS, INC.

A Division of **Murray** Risk Management and Insurance

PRESENTED BY

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**MURRAY**  
RISK MANAGEMENT AND INSURANCE

# BONDING: THE NITTY GRITTY

HOSTED BY:

**Prince George's County  
Minority Business Development Division  
And**



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# BONDING: THE NITTY GRITTY

## Bonding Discussion

### Three Key Points To This Workshop:

- ▣ Bonding Creates Opportunities
  - Mandatory for Federal & State Jobs Over \$100k
  - Bigger and More Profitable Contracts
- ▣ Sets Your Company Apart
  - Most powerful endorsement
  - Only about 20% of contractors are bonded
- ▣ You Can Get a Bond
  - Be Realistic
  - Follow Suggestions

# BONDING: THE NITTY GRITTY

## Bonding Discussion

### Three Types of Contract Surety Bonds:

#### ▣ Bid Bond

- Bid is submitted in good faith
- Contractor will enter into the contract at the price bid
- Contractor will provide the required Performance & Payment bonds

#### ▣ Performance Bond

- Protects the owner (or GC) should the contractor fail to perform the contract in accordance with its terms & conditions.

#### ▣ Payment Bond

- Assures that the contractor will pay subs, laborers, and material suppliers associated with the project.

# BONDING: THE NITTY GRITTY

## Bonding Discussion

### Getting Started

#### Get A Bonding Agent

- ▣ Understands Bonding
- ▣ Works With Small Contractors

#### Get A Construction Oriented CPA

- ▣ See Above
- ▣ Investment vs. Expense
- ▣ Key To More Than Just Bonding

#### Get Your Credit Report

- ▣ [www.ftc.gov](http://www.ftc.gov)
- ▣ Know Your Score!
- ▣ Get Mistakes Corrected

# BONDING: THE NITTY GRITTY

## Bonding Discussion

Being Bonded Shows:

The Three “C”s:

- ▣ Character – Integrity, Credit, Background
- ▣ Capacity – Experience, History, Abilities
- ▣ Capital – Cash Is King!

The Fourth “C”:

- ▣ Commitment – Indemnity, Standing Behind Your Product

# BONDING: THE NITTY GRITTY

## Bonding Discussion

### Presenting Your Case:

- ▣ Four “C”s are Compiled In Thorough Package
- ▣ Questionnaire, Resume, Business Plan, References
- ▣ Financial Statements (Personal & Corporate)
- ▣ Work In Progress, Bank Statements
- ▣ Project Information (Bond Request, Breakdown, IFB/RFP)
- ▣ General Indemnity Agreement (GIA)

# BONDING: THE NITTY GRITTY

## Bonding Discussion

If Your Case Is Not Perfect:

- ▣ Collateral
- ▣ Funds Administration
- ▣ Small Business Administration
  - Invisible Guarantee (Up to 90%) w/ T-Listed Surety
  - New Firms, Bankruptcies, Bonds 2X Larger than previous project, 10X working capital, Bank LOC
  - No Collateral, Competitive Rates (2.5%)
- ▣ Private Sureties – Buyer beware



# BONDING: THE NITTY GRITTY

## Bonding Discussion

### How Long Will It Take?

- ▣ Depends On You!
  - From first “submission” to surety, up to one week
  - Two-three days after established
- ▣ From 1<sup>st</sup> Call To 1<sup>st</sup> Bond
  - Average Time is 5-6 months
- ▣ Before You Bid A Project:
  - Don't Bid w/ Cashiers Check (You Could Lose \$)
  - Unimpressive to Bond Company & Owner

# BONDING: THE NITTY GRITTY

## Contractor's Questionnaire

### Overview:

- ▣ Comprehensive Summary of your firm
- ▣ Includes Company Details
- ▣ Largest Projects Completed
- ▣ CPA, Banker, Bonding Company Background
- ▣ Subs, Suppliers, Key Employees

# BONDING: THE NITTY GRITTY

Thank You!

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